

## SENATE BILL NO. 114

INTRODUCED BY D. WANZENRIED

BY REQUEST OF THE LEGISLATIVE FINANCE COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO PROJECTED GENERAL FUND DEFICITS; PROVIDING FOR BUDGET STABILITY BY CREATING A BUDGET STABILIZATION ACCOUNT; PROVIDING THAT A GENERAL FUND UNRESERVED ENDING FUND BALANCE IN EXCESS OF A STATUTORY AMOUNT IS TRANSFERRED TO THE BUDGET STABILIZATION ACCOUNT; PROVIDING LIMITS ON THE AMOUNT THAT CAN BE MAINTAINED IN THE BUDGET STABILIZATION ACCOUNT; PROVIDING FOR THE USE OF THE BUDGET STABILIZATION ACCOUNT TO OFFSET REDUCTIONS IN SPENDING; CLARIFYING THE APPLICABILITY OF THE REDUCTION IN SPENDING LAW TO BASE AID FOR SCHOOLS; PROVIDING FOR A FUND TRANSFER; AMENDING SECTIONS 17-7-140 AND 20-9-351, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION.** **Section 1. Budget stabilization account -- funding -- use.** (1) There is a budget stabilization account within the state general fund. Subject to subsection (2), there is transferred from the state general fund to the budget stabilization account 50% of the amount by which the audited general fund unreserved ending fund balance exceeds 5% of all general fund appropriations and transfers from the general fund for the prior biennium. A determination of the maximum balance pursuant to subsection (2) and a transfer from the state general fund to the budget stabilization account pursuant to this subsection must be made by December 31 of each odd-numbered calendar year.

(2) (a) The balance in the budget stabilization account may not exceed 9% of the general fund appropriations and transfers from the general fund for the biennium prior to the year in which a transfer to the budget stabilization account is made.

(b) Once the balance in the account equals 9% of the general fund appropriations and transfers from the general fund for the biennium described in subsection (2)(a), no further transfers from the state general fund to the budget stabilization account may be made.

(3) The governor may transfer money from the budget stabilization account to the state general fund in

1 order to avoid or offset the amount of a reduction in spending pursuant to 17-7-140. The governor may not use  
2 the money in the account for any other purpose. The governor may not transfer more than 80% of the balance  
3 in the account to the state general fund during a biennium and may not transfer an amount that would cause the  
4 balance in the account to be less than \$5 million.

5 (4) The legislature may appropriate money in the budget stabilization account for any public purpose.  
6

7 **Section 2.** Section 17-7-140, MCA, is amended to read:

8 **"17-7-140. Reduction in spending.** (1) (a) As the chief budget officer of the state, the governor shall  
9 ensure that the expenditure of appropriations does not exceed available revenue. Except as provided in  
10 subsection (2), in the event of a projected general fund budget deficit, the governor may transfer money from the  
11 budget stabilization account established in [section 1] to the general fund and if necessary, taking into account  
12 the criteria provided in subsection (1)(b) of this section, shall direct agencies to reduce spending in an amount  
13 that ensures that the projected ending general fund balance for the biennium, EXCLUDING THE AMOUNT IN THE  
14 ACCOUNT PROVIDED FOR IN [SECTION 1], will be at least 1% of all general fund appropriations during the biennium.  
15 An agency may not be required to reduce general fund spending for any program, as defined in each general  
16 appropriations act, by more than 10% during a biennium. Departments or agencies headed by elected officials  
17 or the board of regents may not be required to reduce general fund spending by a percentage greater than the  
18 percentage of general fund spending reductions required for the total of all other executive branch agencies. The  
19 legislature may exempt from a reduction an appropriation item within a program or may direct that the  
20 appropriation item may not be reduced by more than 10%.

21 (b) The governor shall direct agencies to manage their budgets in order to reduce general fund  
22 expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor shall  
23 direct each agency to analyze the nature of each program that receives a general fund appropriation to determine  
24 whether the program is mandatory or permissive and to analyze the impact of the proposed reduction in spending  
25 on the purpose of the program. An agency shall submit its analysis to the office of budget and program planning  
26 and shall at the same time provide a copy of the analysis to the legislative fiscal analyst. The office of budget and  
27 program planning shall review each agency's analysis, and the budget director shall submit to the governor a  
28 copy of the office of budget and program planning's recommendations for reductions in spending. The budget  
29 director shall provide a copy of the recommendations to the legislative fiscal analyst at the time that the  
30 recommendations are submitted to the governor and shall provide the legislative fiscal analyst with any proposed

1 changes to the recommendations. The legislative finance committee shall meet within 20 days of the date that  
2 the proposed changes to the recommendations for reductions in spending are provided to the legislative fiscal  
3 analyst. The legislative fiscal analyst shall provide a copy of the legislative fiscal analyst's review of the proposed  
4 reductions in spending to the budget director at least 5 days before the meeting of the legislative finance  
5 committee. The committee may make recommendations concerning the proposed reductions in spending. The  
6 governor shall consider each agency's analysis and the recommendations of the office of budget and program  
7 planning and the legislative finance committee in determining the agency's reduction in spending. Reductions in  
8 spending must be designed to have the least adverse impact on the provision of services determined to be most  
9 integral to the discharge of the agency's statutory responsibilities.

10 (2) Reductions in spending for the following may not be directed by the governor:

- 11 (a) payment of interest and principal on state debt;
- 12 (b) the legislative branch;
- 13 (c) the judicial branch;
- 14 (d) the school BASE funding program, including special education;
- 15 (e) salaries of elected officials during their terms of office; and
- 16 (f) the Montana school for the deaf and blind.

17 (3) (a) As used in this section, "projected general fund budget deficit" means an amount, certified by the  
18 budget director to the governor, by which the projected ending general fund balance for the biennium, EXCLUDING  
19 THE AMOUNT IN THE ACCOUNT PROVIDED FOR IN [SECTION 1], is less than:

20 (i) 2% of the general fund appropriations for the second fiscal year of the biennium prior to October of  
21 the year preceding a legislative session;

22 (ii) 3/4 of 1% in October of the year preceding a legislative session;

23 (iii) 1/2 of 1% in January of the year in which a legislative session is convened; and

24 (iv) 1/4 of 1% in March of the year in which a legislative session is convened.

25 (b) In determining the amount of the projected general fund budget deficit, the budget director shall take  
26 into account revenue, established levels of appropriation, anticipated supplemental appropriations for school  
27 equalization aid, and anticipated reversions.

28 (4) If the budget director determines that an amount of actual or projected general fund receipts will result  
29 in an amount less than the amount projected to be received ~~in the revenue estimate established pursuant to~~  
30 ~~5-5-227~~, the budget director shall notify the revenue and transportation interim committee of the estimated

1 amount. In determining the amount projected to be received, the budget director shall take into consideration the  
2 revenue estimate established pursuant to 5-5-227 and the revenue impact of legislation enacted during the  
3 legislative session in which the revenue estimate was adopted. Within 20 days of notification, the revenue and  
4 transportation interim committee shall provide the budget director with any recommendations concerning the  
5 amount. The budget director shall consider any recommendations of the revenue and transportation interim  
6 committee prior to certifying a projected general fund budget deficit to the governor."

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8 **Section 3.** Section 20-9-351, MCA, is amended to read:

9 **"20-9-351. Funding of deficiency in BASE aid.** If the money available for BASE aid ~~is not the result~~  
10 ~~of a reduction in spending under 17-7-140 and~~ is not sufficient to provide the guaranteed tax base aid required  
11 under 20-9-366 through 20-9-369 and BASE aid support determined under 20-9-347, the superintendent of public  
12 instruction shall request the budget director to submit a request for a supplemental appropriation in the second  
13 year of the biennium that is sufficient to complete the funding of BASE aid for the elementary and high school  
14 districts for the current biennium."

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16 NEW SECTION. **Section 4. Initial fund transfer.** The office of budget and program planning shall  
17 calculate the amount, as of June 30, 2011, by which the anticipated general fund unreserved ending fund balance  
18 is in excess of \$100 million. Subject to [section 1(2)], the department of administration shall transfer the  
19 calculated amount to the budget stabilization account on or before January 1, 2011.

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21 NEW SECTION. **Section 5. Codification instruction.** [Section 1] is intended to be codified as an  
22 integral part of Title 17, chapter 7, part 1, and the provisions of Title 17, chapter 7, part 1, apply to [section 1].

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24 NEW SECTION. **Section 6. Effective date.** [This act] is effective on passage and approval.

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26 NEW SECTION. **Section 7. Applicability.** Transfers under [section 1(1)] apply beginning December  
27 31, 2011.

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